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NATIONAL CONSUMER FINANCE ASSOCIATION

FINANCE FACTS

A Monthly Publication on Consumer Financial Behavior

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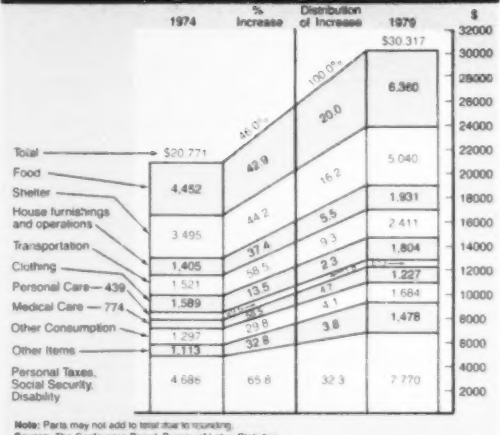
DECEMBER 1980

INFLATION AND TAXES

To maintain a "comfortable" lifestyle, an urban family of four needed pretax income 46% greater in Autumn 1979 than same period 1974, according to The Conference Board. Using Bureau of Labor Statistics data, $30,317 was needed in 1979 to stay even with a standard requiring $20,771 in 1974. Price of goods and services rose by 40.7% while income taxes and Social Security taxes combined were up 65.8%. Next largest increase was medical care, up 58.5%, as was transportation. Cost of shelter increased 44.2% and food 42.9%.

Of the necessary $9,546 required to stay even, almost one-third went to combined personal income and Social Security taxes; while 20.0% went towards food and 16.2% to shelter. Shifts into higher income tax brackets which are disproportionate to the rises in income ("bracket creep") were recently estimated by The Conference Board as adding 3% to 4% annually to middle-class family tax load.

"Comfortable" Annual Budget for Urban Family of Four: Autumn 1974 and Autumn 1979 (Family: Husband, Wife, Boy 13, Girl 8)



Note: Parts may not add to total due to rounding.
Source: The Conference Board, Bureau of Labor Statistics.

REAL EARNINGS

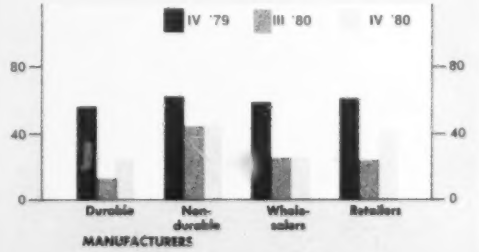
Real gross average weekly earnings decreased 0.3% from August to September after allowance for usual seasonal variation. A 0.4% increase in average hourly earnings and a 0.3% increase in average weekly hours were offset by a 1.0% increase in Consumer Price Index. Over year, real average weekly earnings were down 5.9%.

BUSINESSMEN'S EXPECTATIONS

Business optimism recovered slightly from five-year low in latest Dun & Bradstreet Survey of Business Expectations. Modest size of improvement indicates upward progress may be sluggish. Among the 1,429 interviewed about their appraisal of fourth quarter 1980 prospects, confidence about sales was up appreciably more than about profits. There was little change in outlook regarding inventories and employment.

The Sales Optimism Index (percentage expecting increases minus percentage expecting decreases) rose 8 points to 34 after sinking to 26 in preceding survey. Year-ago reading was 56. Outlook was concentrated among durable goods manufacturers, up to 26 from 11 a quarter earlier, and among retailers up to 42 from 27. Profits Optimism Index up only 4 points to 22 from 18, little more than one-half reading of 40 a year ago. Makers of durable goods and retailers accounted primarily for slight upturn. In contrast, Profits Optimism Index for nondurable goods manufacturers faded to 29, lowest ebb since second quarter 1975.

Sales Optimism Index
Per cent of firms expecting sales to increase in the next quarter, minus per cent of firms expecting sales to decrease.



Source: Business Economics Department, Dun & Bradstreet, Inc.

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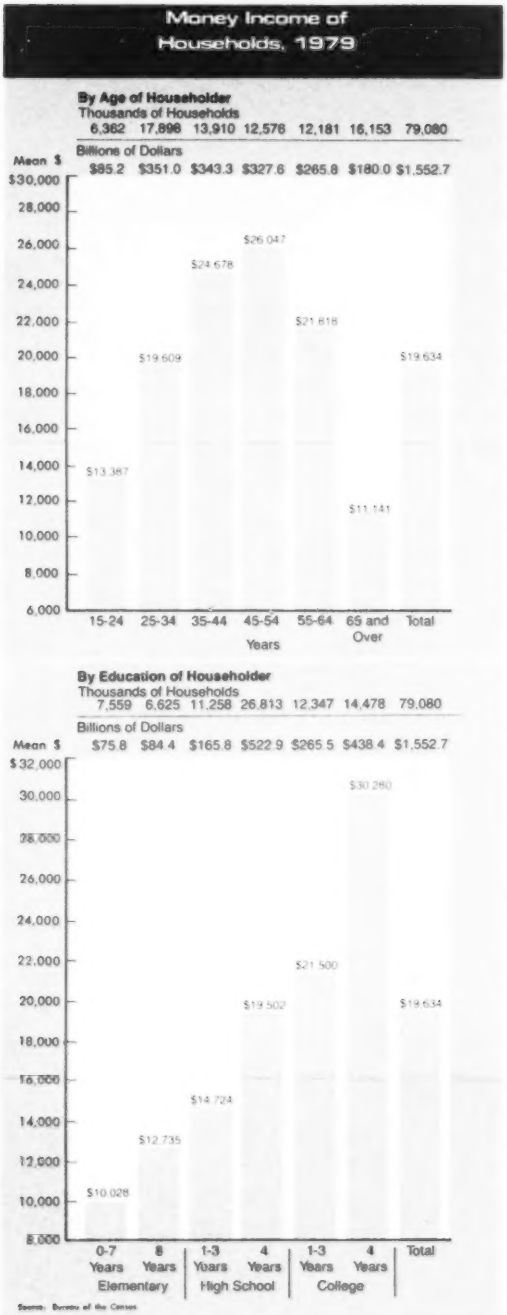

Source: Bureau of the Census

HOUSEHOLD INCOME

Income of households averaged $19,634 in 1979 according to Census Bureau survey. Nonfarm households which comprised 97.6% of the total averaged $19,651—farm households $18,970. Households headed by males comprised 71.9% of the total and averaged $22,865—households headed by females $11,386.

Of the $1,552.7 billion money income of all households in 1979, 82.9% of it went to households headed by persons 25 to 64 years of age. These groups comprised 71.5% of all households.

Households income tends to rise until the householder reaches late middle age and to decline thereafter. In 1979, mean income (that is the total income for the group divided by the number in the group) rose from $13,387 for households in which the householder was under 25 years of age to $26,047 for households headed by a person between 45-54 years of age, then declined to $11,141 for households in which the householder was 65 years of age or over.

Education is one of the most important determinants of households income. The largest single group is that in which the household head has completed high school but gone no further in school. In 1979, this group comprised 33.9% of the households and the mean income was 0.7% below that for all households. At the one extreme, where the household head had completed four or more years of college, there were 18.3% of the households and the mean income was 54.2% above that for all households. At the other extreme, where the household head had completed less than eight years of school, there were 9.6% of the households and the mean income was 48.9% below that for all households.

FINANCING BUDGET OUTLAYS

For fiscal year ending September 30, 1980 total budget receipts of the U.S. government were $520.1 billion while total budget outlays, excluding off-budget outlays, were $579.0 billion. This left budget deficit of $59.0 billion. For the same period 1979, receipts were $466.0 billion and outlays $493.6 billion, leaving a deficit of $27.7 billion. Comparing fiscal year 1980 to 1979, budget receipts increased 5.4%, budget outlays 17.3%, and budget deficit by 113.0%.

PRODUCTIVITY AND COSTS

Productivity in private business sector increased 1.4% at seasonally adjusted annual rate in third quarter 1980, according to Bureau of Labor Statistics. Increase followed 2.7% decline in second quarter and 0.3% decline in first. Third-quarter increase reflected 0.3% rise in output and a 1.1% drop in hours of all persons. This was first productivity increase since 0.3% gain in fourth quarter 1978.

In nonfarm business sector, productivity increased 2.6% in third quarter, following 3.7% decline in second quarter. Output rose 1.1%, hours declined 1.4% (annual rates) in third quarter. This was first productivity increase since 0.8% gain in fourth quarter 1979.

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CONSUMER INSTALLMENT CREDIT

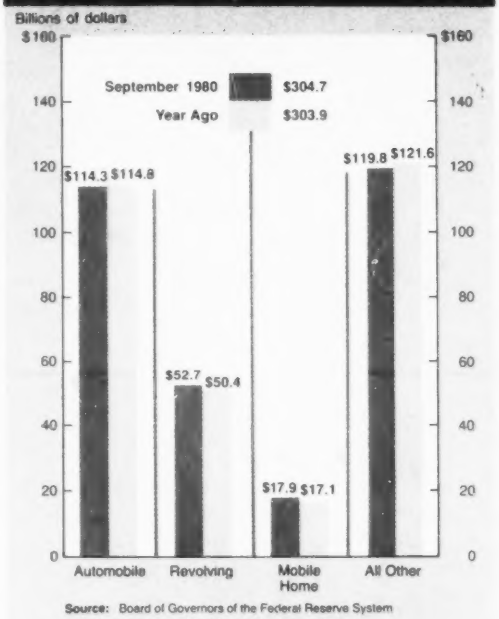
Total consumer installment credit at end of September 1980, was $304.7 billion. Of this amount $114.3 billion was outstanding in automobile credit, $52.7 billion in revolving credit, $17.9 billion in mobile home credit and $119.8 billion in all other credit (consisting of other consumer goods and personal loans).

During September 1980, total installment credit outstanding increased by $1.4 billion—automobile credit increased by $0.3 billion, revolving credit up $0.5 billion, mobile home credit up $0.1 billion, and all other up $0.6 billion.

Net increase in installment credit outstanding by type since September 1979 amounted to $0.8 billion. Revolving credit increased $2.2 billion and mobile home credit $0.8 billion. Automobile credit declined $0.4 billion and all other credit, $1.8 billion.

Net change by institution over year was increase of $10.0 billion for finance companies, $1.9 billion for retailers, $1.6 billion for savings and loans and $1.0 billion for gasoline companies. Commercial banks decreased $7.6 billion over year, credit unions, $5.7 billion, and mutual savings banks, $0.4 billion.

Consumer Installment Credit Outstanding



Source: Board of Governors of the Federal Reserve System
Note: Parts may not add to totals due to rounding.

HELP-WANTED INDEX

The Conference Board's Help-wanted Advertising Index rose five points (4.3%) in September, largest monthly increase this year. At 122 (1967=100), seasonally-adjusted figure now stands at its highest level since April. Despite current upsurge, the Index still remains 32 points below 1980 high of 154 registered in January and 45 points below 1979 peak of 167 reached last October.

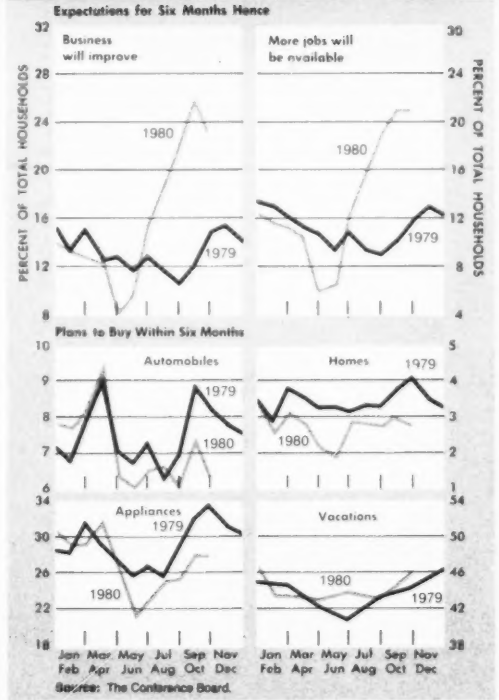
Want-ad volume rose for first time this year in all nine areas of the country measured. Greater than average percentage gain was in West South Central region, an increase of 6.7%, followed by Middle Atlantic (5.9%), and West North Central (4.4%). Help-wanted Index is sensitive to changes in demand for labor, as well as general business conditions.

CONSUMER CONFIDENCE

Consumer confidence rose in October, its fifth gain in a row, The Conference Board reported. The Consumer Confidence Index (1969-1970=100) advanced to 79.2, up from 76.2 in September. Consumers continued to grow more confident about future economic conditions. The Buying Plans Index, however, fell to 90.4, down from 100.4 in September. Consumer expectations are now higher than they have been in two years.

Buying plans, following gain, fell back in October. Some 6.4% of households plan to buy new or used car over next six months, down from 7.4% in September. Plans to buy houses dropped slightly to 2.8%, down from 3%. About 25% of families plan to buy a major appliance compared with about 29% in September. Vacation series showed 46% of households planning a vacation.

Consumer Expectations and Plans To Buy



Source: The Conference Board.

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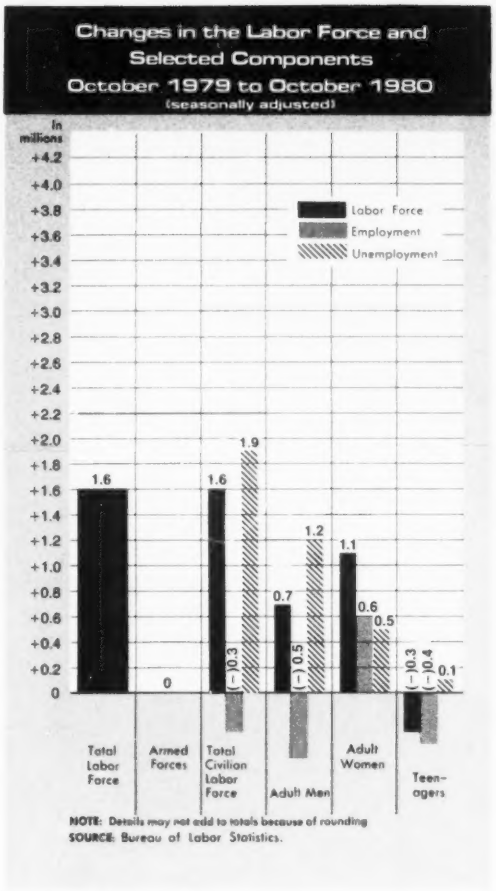

EMPLOYMENT SITUATION

Nation's unemployment rate was about unchanged in October, number of non-farm jobs rose, Bureau of Labor Statistics reported. Overall unemployment rate was 7.6%, about same as prior 2 months. However, jobless rate for adult men declined over month, while rate for women rose sharply. Number of unemployed workers, at 8 million, returned to August level following dip in September. Unemployment was up 1.7 million from October 1979.

October unemployment rate (7.6%) was little changed from September's 7.5% but still below July level of 7.8%. Unemployment rate for adult men dropped to 6.4% in October, rate for adult women rose to 6.8%. Slight increase for teenagers, to 18.4%, followed decline in September.

INDUSTRIAL PRODUCTION

Industrial production rose by estimated 1.6% in October, following gains of 1.0% and 1.3% in August and September, respectively. In October, advances in production were broadly based with large increases in output of motor vehicles and steel. Total industrial production has increased 4% since low in July, but October index, at 146.0% of 1967 average, was still 4.4% below year ago.

FOREIGN INVESTMENTS IN U.S.

Number of foreign manufacturing investments reported in United States is running slightly below last year's level through first nine months of 1980. However, average value of new investments is larger, The Conference Board reported. Foreign firms announced 103 investments during third quarter 1980, bringing total for 1980 to 292. Nine-month total in 1979 was 299. Spending amounted to $4.6 billion, up from $3.8 billion figure reported during first nine-months of 1979.

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JANUARY 1981

PERSONAL FINANCE TRENDS

Personal income at an estimated $2,120 billion in 1980 was approximately 10% above 1979. When account is taken of increases in prices, taxes and population, real per capita disposable personal income in 1980 was about 2% less than in 1979, in contrast to a 1.4% increase that year. All estimates made early in 1981 are, of course, based on incomplete data for 1980.

Personal outlays absorbed about the same percentage of disposable personal income in 1980 as in 1979 while the personal saving rate increased slightly. Increased social security taxes, as well as other taxes, held down the growth in disposable income.

Likely prospects for 1981 are some reduction in inflation, rather nominal growth of personal income, saving and spending. Installment credit will probably grow only slightly.

Comparative percentages in installment credit usage to disposable personal income for each of last three years were as follows:

	Preliminary Estimate 1980	1979	1978
Consumer installment credit extended	17.0%	19.6%	20.5%
Consumer installment credit repaid	17.1%	17.6%	17.4%
Net change in consumer installment credit	−0.1%	2.0%	3.1%

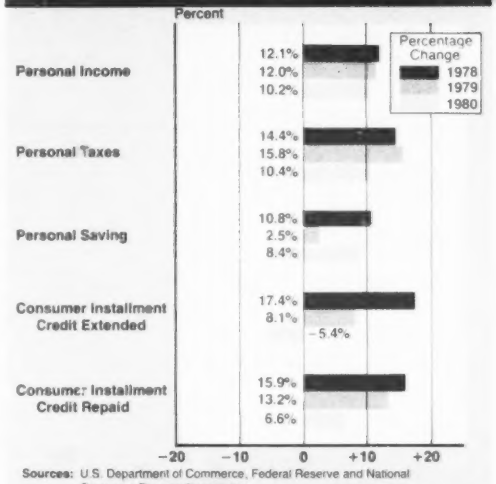
EMPLOYMENT SITUATION

Employment rose in November, and unemployment was about unchanged, Bureau of Labor Statistics reported. Unemployment rate was 7.5%, little different from rates of prior 3 months. Total employment was up by 220,000 over month to 97.4 million. Increase was concentrated among adult women, whose employment had declined in prior 2 months.

CONSUMER CONFIDENCE

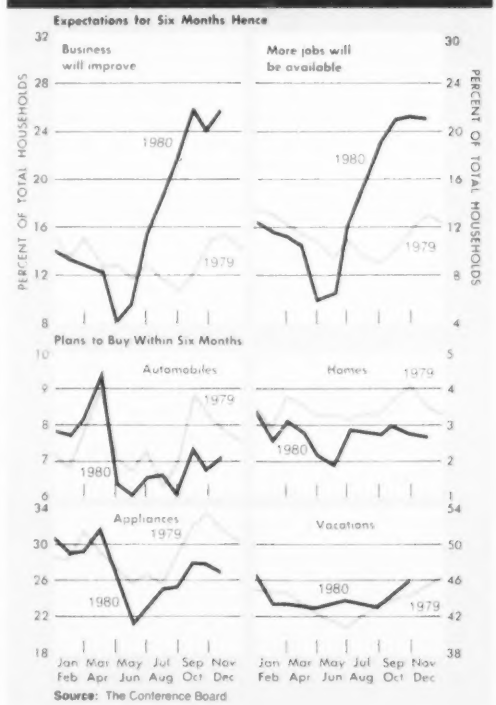
Consumer confidence continued to improve but latest gains were very modest, The Conference Board reported. The Consumer Confidence Index (1969-1970=100) pushed ahead to 83.4 in November, up from 80.2 in October. The Buying Plans Index rose to 94.2, up from 93.8 in October. Although consumer confidence has now scored six monthly gains in a row, increases have been unimpressive during last two months. Latest survey reported only slight improvement in consumer expectations for next six months. Buying plans have remained basically unchanged during last two months. Plans to buy cars and major appliances are up only slightly.

Percentage Changes in Personal Sector Financing 1978, 1979, Preliminary Estimate 1980



Sources: U.S. Department of Commerce, Federal Reserve and National Consumer Finance Association

Consumer Expectations and Plans To Buy

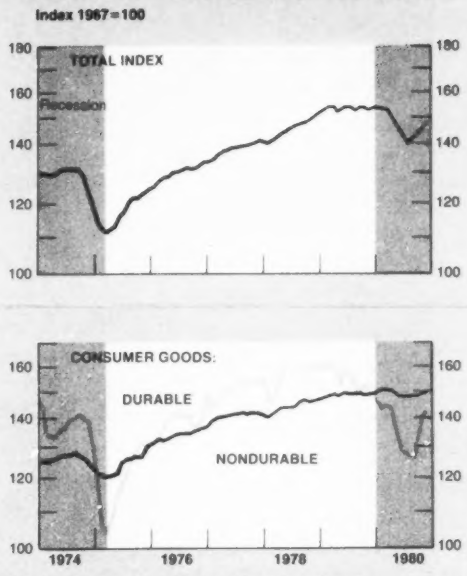


Source: The Conference Board

FINANCE FACTS

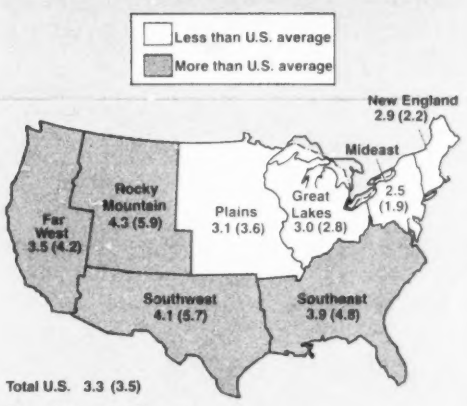
JANUARY 1981

Index of Industrial Production
by months (seasonally adjusted) 1974-1980



Source: Board of Governors of the Federal Reserve System

Projected Average Annual Growth Rate of Total Personal Income 1978-2000
(In Percent)
(1968-1978 Average Growth in Parentheses)



Source: Department of Commerce

INDUSTRIAL PRODUCTION

Industrial production increased estimated 1.4% in November, following increases of 1.8% and 1.5%, respectively, for October and September. In November, output gains were large for most product and material groupings of the index. At 148.5% of 1967 average, index was 5.8% above recent low in July but remained 2.5% below year earlier level.

Output of consumer goods increased 0.8% in November. Autos were assembled at annual rate about 3% higher than in October, but recent industry schedules indicate decrease in December. Production of home goods rose 0.8% in November, smaller increase than in any of preceding three months, output of consumer nondurable goods rose 0.6%, somewhat more than recently.

LABOR OUTLOOK

Union wages and benefits will jump at double-digit levels in 1981, according to The Conference Board's Labor Outlook Panel. The group of eight labor experts (from unions, corporations and academia) does not look for any improvement at all in overall labor productivity in 1981. Pay increases in first year of major contracts are expected to advance by average of 10.2% next year, resulting in 11% increase in labor costs per unit of manufactured output. U.S. employment is likely to continue shifting to non-union sectors, since non-union pay has increased more slowly than union wages for five straight years.

PRODUCER PRICE INDEXES

Producer Price Index for Finished Goods moved up 0.6% from October to November on seasonally adjusted basis, Bureau of Labor Statistics reported. November increase followed 0.8% rise in October. Prices for intermediate goods rose 1.0%, about same as October and substantially more than September. Crude material prices advanced 1.1%, somewhat less than in either of 2 previous months. Among finished goods, price increases slowed for motor vehicles and broad range of capital goods. Consumer food prices rose 0.5% for second consecutive month.

PROJECTIONS OF PERSONAL INCOME

Personal income, measured in 1972 dollars, will increase most rapidly in the next 20 years in Rocky Mountain, Southwest, Southeast, and Far West regions of the United States, according to U.S. Department of Commerce. Personal income growth projected for these regions reflects continuation of the tendency for industries to disperse south and west due to relatively low wage rates, taxes, energy costs, and land costs, and relatively mild climate. Population also is expected to increase most rapidly in the four regions.

States with largest projected personal income growth rates are Nevada (5.3%), Utah (4.6%), Alaska (4.5%), Wyoming (4.5%), Colorado (4.4%), Arizona (4.4%), and Florida (4.4%). Projected growth rate for the nation is 3.3%. States with smallest projected growth rates are New York (2.1%), Massachusetts (2.6%), Pennsylvania (2.6%), Illinois (2.8%), and Connecticut (2.8%).

CONSUMER FINANCIAL BEHAVIOR

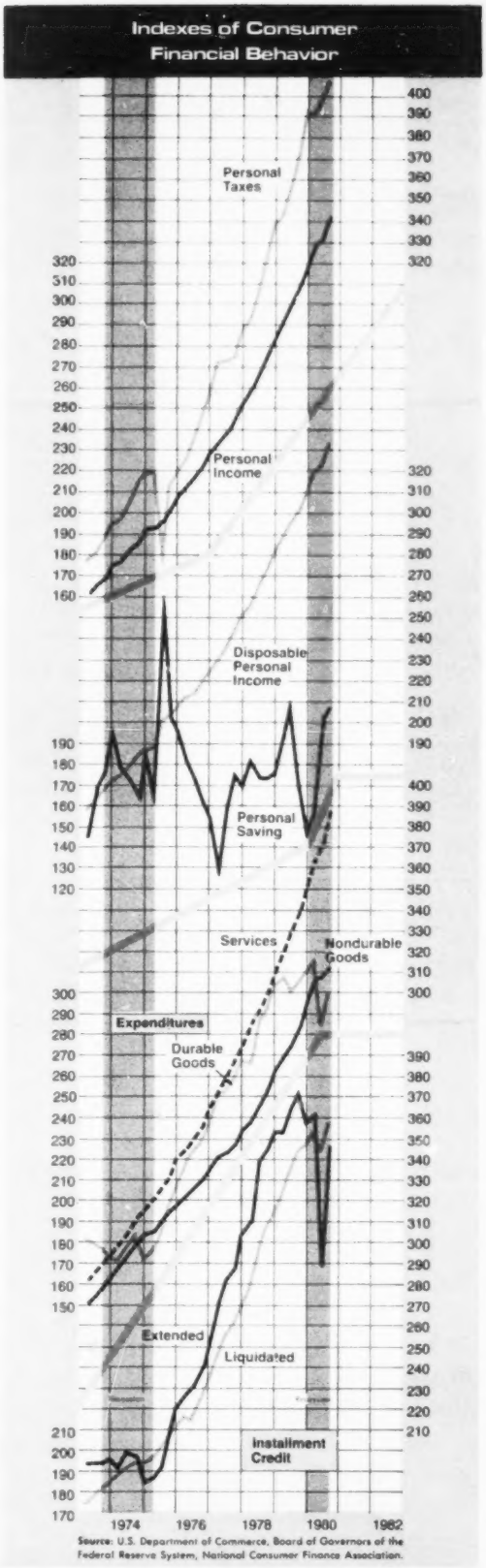
Most indexes were up somewhat in the third quarter of 1980. Largest percentage increase was registered by consumer installment credit extended, up 58.0 points (20.0%) to 347.5 (1967 = 100) from level in second quarter that was at lowest point since third quarter 1977. Only declining index was personal saving, down 3.4 points (1.6%) to 207.6.

Personal income index increased 10.3 points (3.1%) in third quarter 1980. Personal taxes rose 11.4 points (2.9%), and disposable personal income rose 10.0 points (3.1%).

Personal consumption expenditures indexes all rose in third quarter, led by durable goods expenditures, up 18.4 points (6.5%) to 299.6. Nondurable goods expenditures increased 5.5 points (1.8%) and expenditures on services rose 15.4 points (4.1%). Index of consumer installment credit repaid increased 14.9 points (4.3%) to 359.4.

Indexes for third quarter 1979 and second and third quarter 1980 (indexes 1967 = 100) are shown in the following table.

	1979	1980	
	Third Quarter	Second Quarter	Third Quarter
Personal Income	310.7	332.0	342.3
Personal Taxes	373.4	395.4	406.8
Disposable Personal Income	301.2	322.5	332.5
Personal Saving	171.9	211.0	207.6
Durable Goods Expenditures	306.6	281.2	299.6
Nondurable Goods Expenditures	284.4	307.7	313.2
Expenditures on Services	341.5	373.3	388.7
Consumer Installment Credit Extended	373.0	289.5	347.5
Consumer Installment Credit Repaid	346.1	344.5	359.4



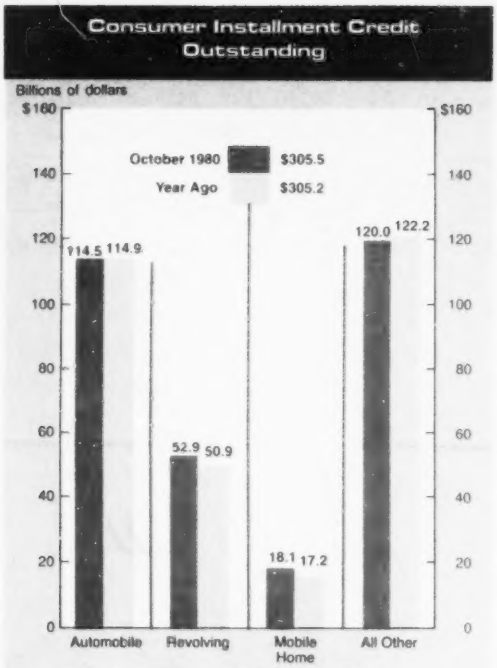
UNION WAGES IN BUILDING TRADES

Union wage rates for building trades in large cities showed largest third quarter increase on record—up 2.1% from July to October 1980, U.S. Department of Labor reported. Raising index of wage rates for building trades to 263.0 (1967=100), this third-quarter gain was over three times as large as 0.6% gain recorded for third quarter 1979. During the past 10 years, wage rates have risen an average 1.2% in the third quarter.

REAL EARNINGS

Real gross average weekly earnings decreased 0.5% from September to October after allowance for usual seasonal variation. A 0.7% increase in average hourly earnings was offset by a 0.3% decrease in average weekly hours and a 1.0% increase in the consumer price index. Over year, real average weekly earnings were down 5.1%.

Real spendable earnings decreased 0.6% from September to October. Over year, real spendable earnings were down 6.0%.



CONSUMER INSTALLMENT CREDIT

Total consumer installment credit at end of October 1980 was $305.5 billion. Of this amount $114.5 billion was outstanding in automobile credit, $52.9 billion in revolving credit, $18.1 billion in mobile home credit and $120.0 billion in all other credit (consisting of other consumer goods and personal loans).

During October 1980, total installment credit outstanding increased by $0.7 billion—automobile credit increased by $0.1 billion, revolving credit up $0.3 billion, mobile home credit up $0.1 billion and all other up $0.2 billion.

Net change over month by institution was decrease of $140 million for commercial banks, made up of decreases in automobile ($142 million), revolving ($41 million) and mobile home ($48 million) and increase in all other ($91 million). Finance companies increased $162 million, made up of increases in automobile ($281 million), mobile home ($56 million) and other consumer goods ($65 million) with decrease in personal loans of $238 million. Credit unions decreased just under $0.1 billion and gasoline companies declined $0.2 billion. Retailers increased $0.6 billion, and savings and loans $0.3 billion.

Net increase in installment credit outstanding by type since end October 1979 amounted to $0.2 billion. Revolving credit increased $2.1 billion and mobile home credit $0.8 billion. Automobile credit declined $0.4 billion as did all other credit, $2.2 billion.

Net change by institution over year was increase of $9.3 billion for finance companies, $2.1 billion for retailers, $1.8 billion for savings and loans and $0.9 billion for gasoline companies. Commercial banks decreased $8.3 billion, credit unions $5.3 billion and mutual savings banks by $0.3 billion.

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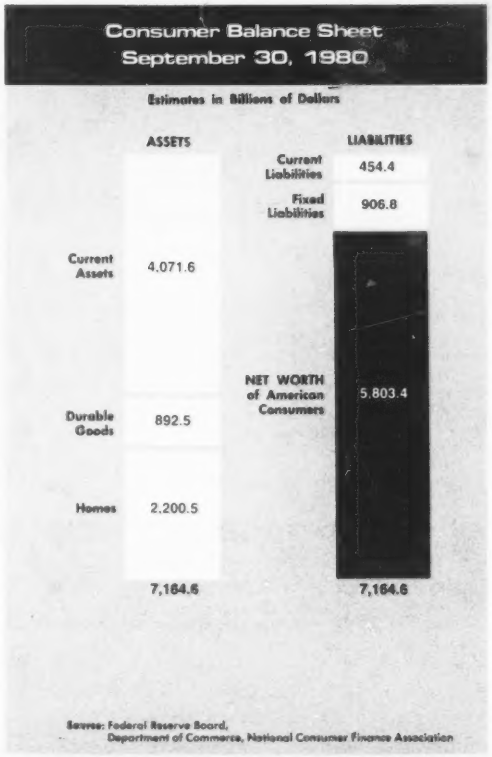
FEBRUARY 1981

CONSUMER BALANCE SHEET

Total assets of consumer are estimated at $7,164.6 billion as of September 30, 1980. At the same time, consumers had liabilities of $1,361.2 billion leaving them a net worth of $5,803.4 billion. All estimates based on revised figures released recently going back several years.

Current (financial) assets were estimated at $4,071.6 billion. Fixed assets included $2,200.5 billion in owner-occupied housing and land, and $892.5 billion as the value of durable goods for a total of $3,093.0 billion. Current liabilities stood at $454.4 billion and fixed liabilities of mortgage debt at $906.8 billion to bring total liabilities to $1,361.2 billion.

Asset and debt position of the American consumer at end of third quarter 1980 showed 10.9 to 1 asset-to-debt ratio of all assets and debts excluding those involving homeownership where the ratio was 2.4 to 1. The ratio of all assets to all debts was 5.3 to 1. Owners' equity stood at 81.0% of consumer assets at end of third quarter 1980.



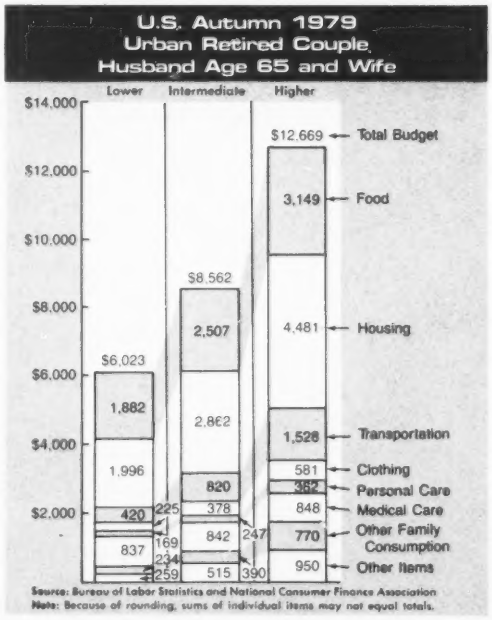
CAPITAL SPENDING

U.S. nonfarm business plans to increase capital spending 5.3% in first quarter 1981 and 4.3% in second quarter, Commerce Department reported. Survey conducted in October and November showed planned spending at seasonally adjusted annual rate of $317.2 billion in first half of year; representing 7.3% increase from second half 1980, compared with increase of 0.8% from first half of 1980 to second half.

RETIRED COUPLE BUDGETS

In autumn 1979, three hypothetical budgets for a retired couple totaled $6,023 at lower level, $8,562 at intermediate level and $12,669 at the higher level. From autumn 1978 to autumn 1979 total cost of lower budget rose 9.2%, intermediate budget rose 9.1% and higher level 9.3%. All levels reflected large increases in transportation, approximately 17% for lower and intermediate budgets and 18% for higher budget. Automobile ownership is greater among those in higher budget and thus private transportation effected that level to greater degree.

Large increases in fuels and utilities had greatest impact on housing costs in lower budget (9%), because those items constitute larger share of housing at that level. Income taxes are not included and medical care costs contain estimates for out-of-pocket costs for Medicare.



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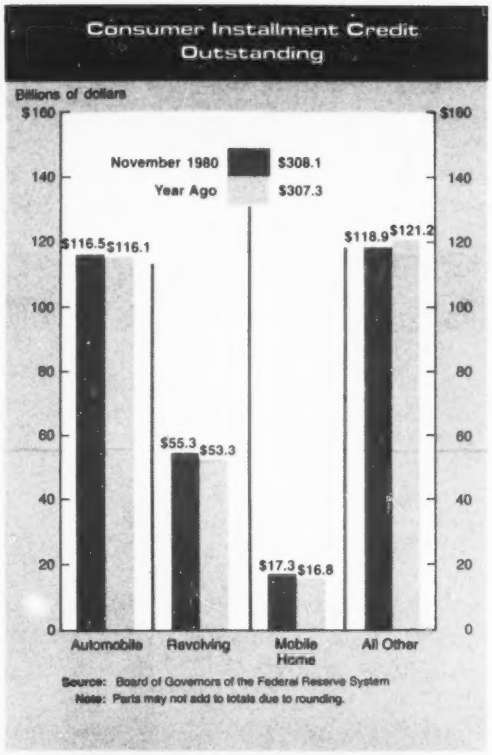
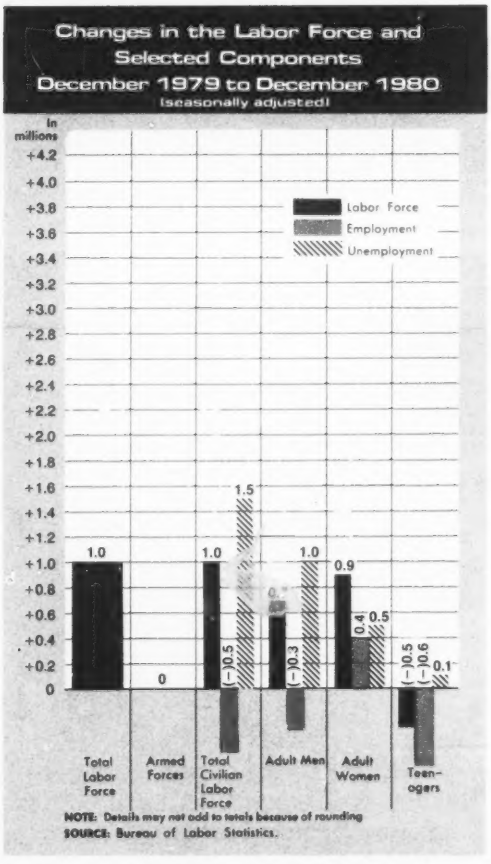




CONSUMER INSTALLMENT CREDIT

Total consumer installment credit at end of November 1980 was $308.1 billion. Of this amount $116.5 billion was outstanding in automobile credit, $55.3 billion in revolving credit, $17.3 billion in mobile home credit and $118.9 billion in all other credit (consisting of other consumer goods and personal loans).

During November 1980, total installment credit outstanding increased by $0.8 billion—automobile credit decreased by $0.1 billion, revolving credit up $0.7 billion, mobile home credit up slightly and all other up $0.2 billion.

Net change over month by institution was decrease of $748 million for commercial banks, made up of decreases in automobile ($502 million), mobile home ($50 million) and all other ($225 million), and increase in revolving ($29 million). Finance companies increased $705 million, made up of increases in automobile ($320 million), mobile home ($45 million), personal loans ($281 million) and other consumer goods ($59 million). Credit unions increased just under $0.1 billion. Gasoline companies declined just under $0.1 billion. Retailers increased $0.8 billion, and savings and loans $0.1 billion.

Net increase in installment credit outstanding by type since end November 1979 amounted to $0.7 billion. Revolving credit increased $2.0 billion, mobile home credit $0.5 billion, and automobile credit $0.4 billion. All other credit declined $2.2 billion.

Net change by institution over year was increase of $8.5 billion for finance companies, $0.7 billion for retailers, $1.4 billion for savings and loans, $0.9 billion for gasoline companies. Commercial banks decreased $7.8 billion and credit unions $3.0 billion.

All statistics based on revisions made by the Federal Reserve Board for all holder groups except finance companies.

EMPLOYMENT SITUATION

Both total employment and unemployment in December remained near November levels, Bureau of Labor Statistics reported. Overall unemployment rate was 7.4%, close to levels which have prevailed since May. Total employment was about unchanged in December at 97.3 million, still 500,000 below February 1980 peak. Nonfarm payroll employment rose by 200,000 in December to 91.1 million, its fifth consecutive monthly increase. Overall, job gains in the latter half of 1980 have nearly recouped losses earlier in year, although employment was still sharply down in manufacturing and construction. Factory work-week rose 0.3 hour in December to 40.2 hours.

There was little change in unemployment rates for major demographic groups in December — adult men (6.2%), adult women (6.8%), and teenagers (17.8%). Adult men were most seriously affected age/sex group in 1980 downturn, their rate increased from 4.4% in December 1979 to 6.6% in July-September period before declining slightly in recent months. The rate for adult women increased 1.1 points over year to December 1980 high, while that for teenagers was up 1.5 points in same period.

FINANCE FACTS

FEBRUARY 1981

EXISTING HOME SALES

Sales of existing single-family homes continued to decline in face of rising mortgage interest rates which exceeded 15% in many areas of the country. In November, resale activity declined 8.5% to seasonally adjusted annual rate of 3,020,000 units. This was second consecutive month of declining sales activity, with further declines expected. The affordability problem posed by mortgage rates in excess of 15% has curtailed home sales in every area of the country. Over past two months sales have declined 10.4% in Northeast, 9.7% in South, 8.7% in North Central region, and 18.5% in the West.

Estimate for total volume of existing home transactions in 1980 will be 2,860,000. This is the lowest level of transactions in five years and is one million units below record sales of 1978 when 3,863,000 units changed hands. In November median price of an existing single-family home increased to $64,300, up 15.6% from same month year ago. Price increases were recorded in every area of the country.

SELF-EMPLOYED WORKERS

Number of self-employed Americans rose by more than 1.1 million between 1972 and 1979, according to Bureau of Labor Statistics. This reversed decades of steady decreases. Especially large increase occurred in years 1976-79 when percentage increase in self-employed (12.4%) surpassed comparable increase for wage and salary workers (10.9%). If agricultural self-employed is not included (decline of 210,000), non-agricultural self-employed increased by 1.3 million between 1972 and 1979, with increase especially strong in 1976-79 (17%). Not included in official figures are the incorporated self-employed and those workers who are self-employed at second jobs. Both categories are classified as wage and salary workers.

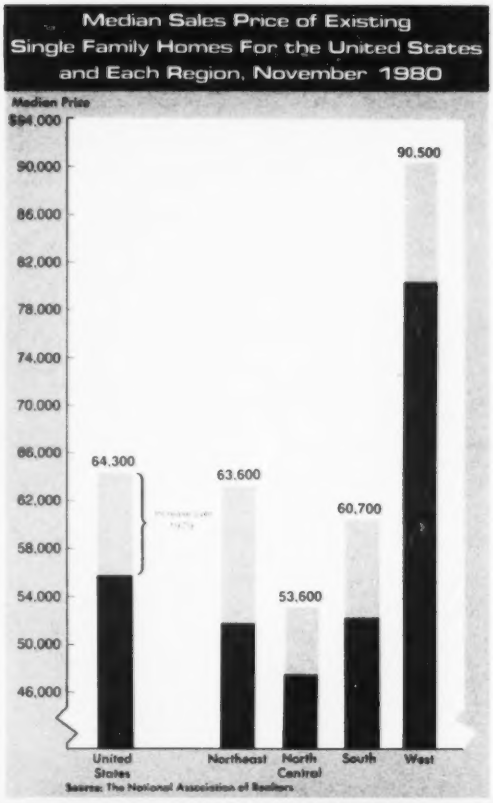
Average age of self-employed has dropped in recent years. Proportion aged 16-44 years rose by 10 percentage points while 45 years and over group declined by same amount. Downward shift in age distribution of self-employed was greater than shift in median age of labor force. The female share of self-employment grew from about one-fifth in 1972 to one-quarter in 1979. Since 1972, female self-employment has increased five times faster than male self-employment.

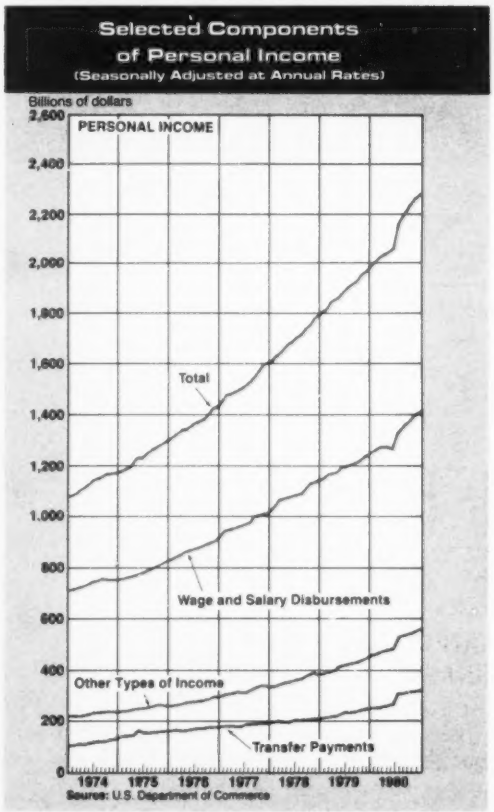
PERSONAL INCOME

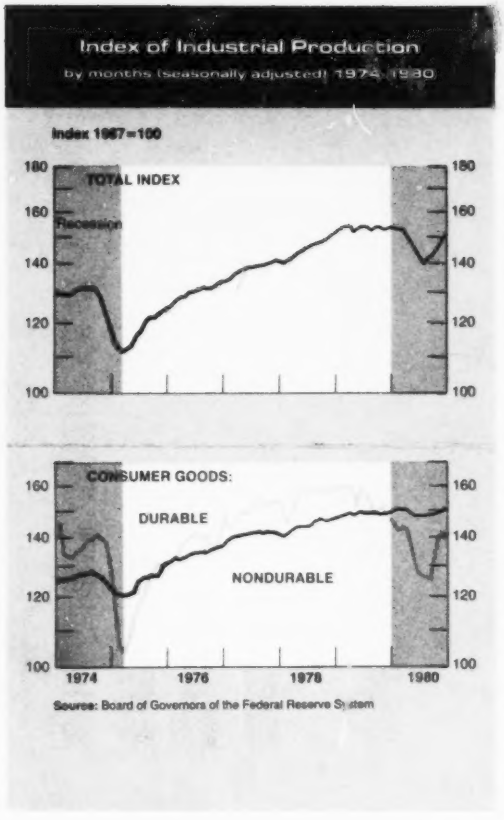
Personal income increased $21.0 billion in December to seasonally adjusted annual rate of $2,281.5 billion, according to U.S. Department of Commerce. In November, personal income increased $25.2 billion.

Wages and salaries and other labor income increased $14.4 billion in December. Nonfarm proprietors' income declined $0.4 billion in December. Income from rent, dividends and interest increased $5.6 billion. Transfer payments increased $1.2 billion.

Personal outlays increased $6.3 billion in December, taxes $5.0 billion and savings $9.7 billion. Purchases of durable goods declined $1.0 billion. Purchases of nondurable goods increased $2.0 billion, purchases of services increased $5.0 billion.







INDUSTRIAL PRODUCTION

Industrial production increased estimated 1.0% in December, reflecting sizable output gains in major product and material groupings of the index with exception of motor vehicles. The December rise followed upward revised increases of 1.6%, 1.9% and 1.6% in preceding three months. Index of industrial production for December, at 150.7% of the 1967 average, was 7.3% above July 1980 low but still 1.2% below year earlier. Preliminary estimate of the index for 1980 shows industrial production to have been 3.5% below output in 1979.

Production of consumer nondurable goods rose strongly in December, due in part to substantial gains in output of residential utilities and consumer fuels. However, output of consumer durable goods declined 1.3%. Autos were assembled in December at an annual rate of 6.3 million units, about 8% below rate in November. Production of construction supplies continued to advance strongly, although more slowly than in preceding months.

MARRIED AND SINGLE WORKERS

Married persons continue to dominate work force, but their share has been declining steadily, Bureau of Labor Statistics reported. From March 1970 to March 1980, proportion of labor force composed of married persons living with their spouses fell from 69% to 61%, while share composed of never-married and divorced persons rose from 24% to 33%.

Marital composition of labor force reflects major demographic and social changes that have occurred during 1970's. Half of more than 20 million increase in labor force during decade was among persons 25-34 years old, now more than 1 of 4 workers. Many tended either to postpone marriage or not to marry. Those who did marry were more than twice as likely to become divorced than were workers of similar age 10 years ago. Result is that only 65% of workers 25-34 years old were married in March 1980, down from 79% decade earlier.

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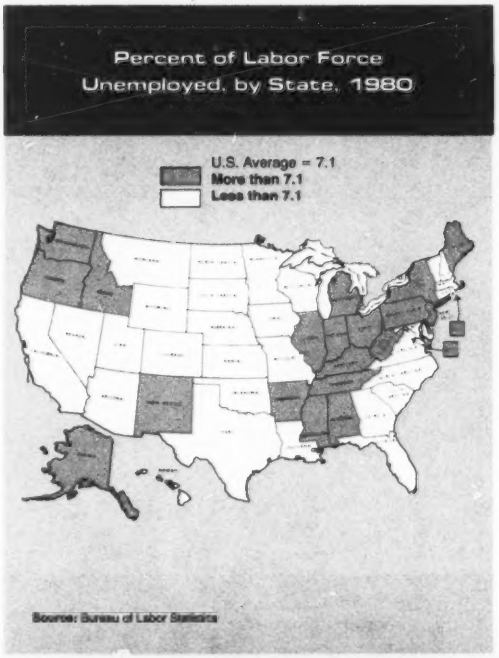
MARCH 1981

UNEMPLOYMENT BY STATES IN 1980

Unemployment rate increases differed widely among the States from the average of 5.8% in 1979 to 7.1% in 1980, according to annual average estimates released by Bureau of Labor Statistics. For example, Michigan's rate rose from 7.8% to 12.6% while Massachusetts' rate went from 5.5% to 5.6%.

Unemployment rates increased significantly in 32 States in all regions in 1980, although some regions were harder hit than others. Of the 32 States with significant unemployment rate increases, 22 rose more than the national increase of 1.3 percentage points, and nine of these more than 2.0 percentage points. Largest increases were in North Central region (Michigan, Illinois, Indiana) where cutbacks were prevelant in automobile related and other durable goods manufacturing employment. Unemployment rates also increased sharply in Kentucky and West Virginia, affected by declines in durable goods and mining employment.

Unemployment rates changed very little in most Northeastern States and in 10 Southern and Western States from 1979 to 1980. Five States had unemployment rates higher than 8.5% in 1980. Michigan was the highest at 12.6%, followed by Alaska and Indiana (9.6%), West Virginia (9.4%), and Alabama (8.8%). Only Alaska had rate this high in 1979. Only three Northwestern farm States had relatively low unemployment rates of less than 4.5% in 1980, Kansas, Nebraska, and Wyoming, in contrast to 12 states in 1979.


Percent of Labor Force Unemployed, by State, 1980
U.S. Average = 7.1
More than 7.1
Less than 7.1
Source: Bureau of Labor Statistics

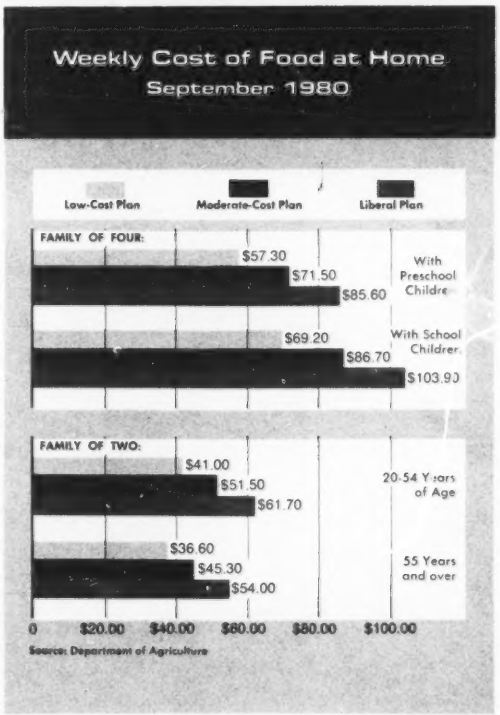
HOME MORTGAGE RATES

Conventional home mortgage rates increased again in early January according to Federal Home Loan Bank Board. Offering rates on new mortgage commitments rose for fifth consecutive month in early January. Latest advance, however, was less than previous rise, and left average rate about 1.25 percentage points below April 1980 peak. Effective rate for conventional loans closed on single-family homes averaged 13.72% in early January.

COST OF FOOD AT HOME

Cost of similar market baskets of food at home rose 10.3% between September 1979 and September 1980. Examples of low-cost plan in September 1980 was $69.20 for food for one week for family of four with school children and $41.00 for family of two between 20 and 54 years of age, compared to $62.30 and $37.10, respectively, for September 1979.

Liberal plan for food at home for one week was estimated to cost family of four with children in school $103.90 and for family of two between 20 and 54 years of age $61.70.



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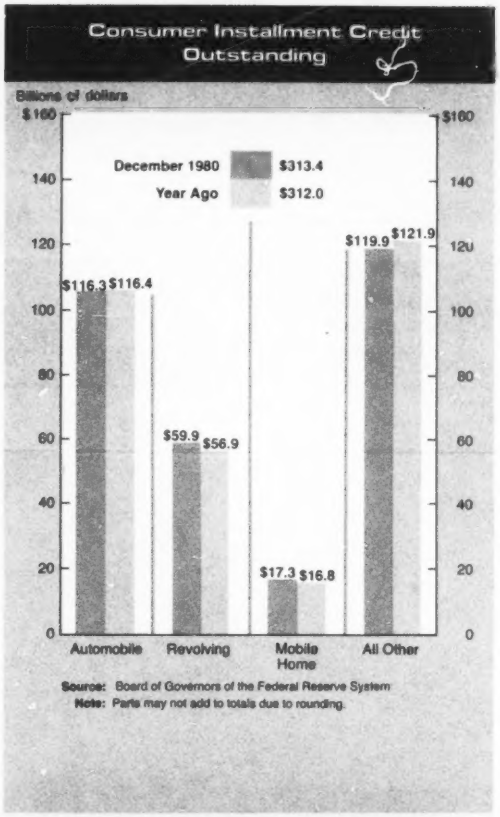
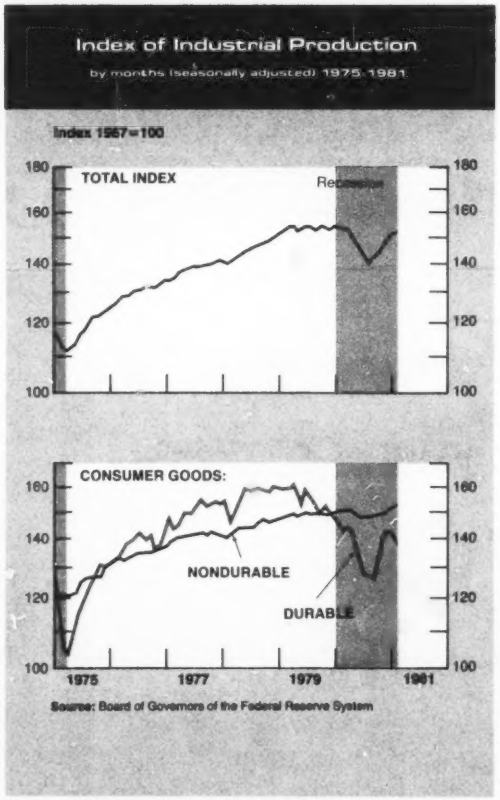




CONSUMER INSTALLMENT CREDIT

Total consumer installment credit as year end 1980 was $313.4 billion. Of this amount $116.3 billion was outstanding in automobile credit, $59.9 billion in revolving credit, $17.3 billion in mobile home credit and $119.9 billion in all other credit (consisting of other consumer goods and personal loans).

During December 1980, total installment credit outstanding increased by $5.4 billion—automobile credit decreased by $0.2 billion, revolving credit up $4.6 billion, mobile home credit up slightly and all other up $1.0 billion.

Net change over month by institution was increase of $0.6 billion for commercial banks, made up of increase in revolving of $1.6 billion and $1.0 billion decrease in automobile, mobile home and all other combined. Finance company outstandings increased $1.1 billion made up of increases in automobile of $0.4 billion and personal loans of $0.5 billion, and all other $0.2 billion. Credit unions increased $0.4 billion. Gasoline companies increased $0.1 billion. Retailers increased $2.9 billion, and savings and loans $0.2 billion.

Net increase in installment credit outstanding by type since year end 1979 amounted to $1.4 billion. Revolving credit increased $2.9 billion, mobile home credit $0.5 billion. Automobile credit declined less than $0.1 billion, all other credit declined $2.0 billion.

Net change by institution over year was increase of $8.4 billion for finance companies, $1.3 billion for retailers, $1.5 billion for savings and loans, and $1.0 billion for gasoline companies. Commercial banks decreased $8.4 billion and credit unions $2.5 billion.

UNION WAGE BUILDING TRADES

Union wage rates for building trades in large cities increased an average of 1.3% from October 1980 to January 1981, U.S. Department of Labor reported. Fourth quarter gain was about twice as large as 0.7% recorded for fourth quarter 1979. During past 10 years, wage rates have risen an average of 0.9% in fourth quarter. For 12 months ended January 2, 1981, the wage increase was 9.9%, highest annual rate of increase for building trades wages since first quarter 1972.

INDUSTRIAL PRODUCTION

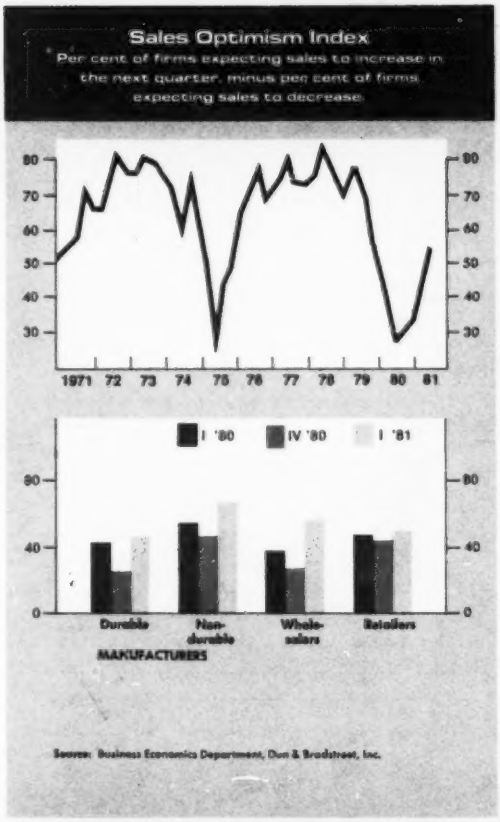
Industrial production increased by an estimated 0.6% in January, following increases of 1.9%, 1.7%, and 1.0% in October, November and December, respectively. Output gains continued to be broadly based, with exception of motor vehicles and steel which declined. Total index in January, 151.8% of 1967 average, was 0.6% below year earlier and 1.1% below March 1979 high.

Total output of consumer goods in January was little changed from December. Autos were assembled at annual rate of 5.4 million units—almost 15% below December and 10% below January 1980 rate. Production of nondurable consumer goods increased strongly—by 0.9%, considerably more than in recent months.

BUSINESSMEN'S EXPECTATIONS

Business optimism took on healthy turn in Dun & Bradstreet survey of expectations for first quarter 1981. Among 1,363 executives interviewed, confidence about sales, new orders, profits and employment stepped up to highest levels seen since second quarter 1980. The Sales Optimism Index (percentage expecting increases minus percentage expecting decreases) jumped to 55 for start of 1981 from 34 in preceding survey about prospects for final quarter 1980. Both wholesalers and manufacturers of non-durable goods virtually equalled 1980 peak of optimism registered in second quarter and topped their readings in initial quarter 1980. Nearly three-fifths of manufacturers looked for rise in new orders, most in a year. Makers of non-durable goods held most cheerful anticipation about bookings in six quarters.

The Profits Optimism Index also turned up, to 40 from 22. This was best reading since 46 in second quarter 1980 but considerably short of its 55-64 in early quarters of 1979. Manufacturers stepped up their sights on the bottom line considerably more than either wholesalers or retailers.



ENERGY PRICES

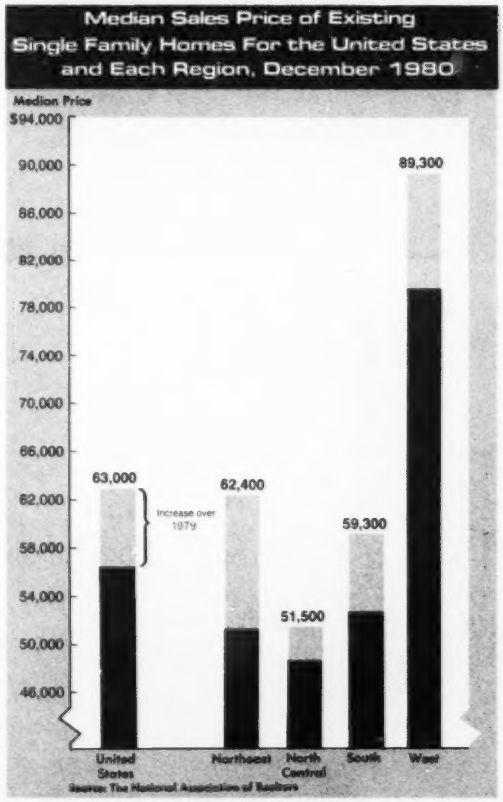
U.S. average price for all types of gasoline increased slightly to $1.231 in December. Prices of leaded regular gasoline averaged $1.197; unleaded regular $1.258; and leaded premium $1.310. In 28 cities for which gasoline prices are published, prices of all types of gasoline averaged highest in Honolulu, Anchorage, and San Francisco and lowest in Houston, Kansas City, and Dallas.

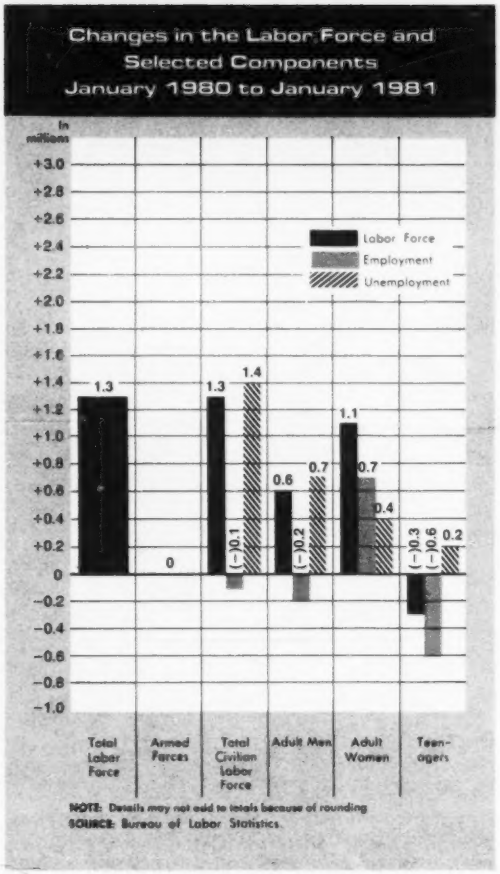
U.S. average price per gallon of fuel oil rose 4 cents to $1.066 for December. In 16 cities for which fuel oil prices are published, price per gallon averaged highest in Seattle, Buffalo, and Washington, DC and lowest in Milwaukee and Baltimore.

EXISTING HOME SALES

High level of mortgage interest rates continued to have effect on resale market. Sales of existing single-family homes declined by 2% in December to seasonally adjusted annual rate of 2,960,000 units, third consecutive monthly drop in resale activity, according to National Association of Realtors. Sales drop in December would have been sharper had it not been for creative financing techniques. Many report that majority of their sales are being made without new mortgage money from institutional lenders. Most popular techniques are assumptions, seller financing, and land contracts.

Resale market in 1980 recorded poorest performance in five years, sales of existing homes totaled 2,881,000 units, a drop of 22% from 1979 level and almost one million units below record sales rate set in 1978. Selling prices of resale properties dropped somewhat in December as median sales price declined by $1,300 to $63,000. However, prices are still 11.5% ahead of same month last year. Northeast region had steepest year-to-year advance of 21.4%, while North Central states had smallest at 5.7%.





EMPLOYMENT SITUATION

Employment rose in January and unemployment was unchanged, after seasonal adjustment, U.S. Department of Labor reported. Overall unemployment rate was 7.4%, same as in December and little different from rates which have prevailed since May 1980. Total employment rose 410,000 over month to 97.7 million. Nonfarm payroll employment advanced by 375,000 in January to 91.5 million. Factory workweek was up 0.3 hour over month. Both employment and hours measures have risen steadily since last July.

Unemployment rates for adult men (6.0%) and adult women (6.7%) were also about unchanged over month. Jobless rates for teenagers (19.0%) increased. Rates for most major worker groups remained substantially higher than their year-ago levels. Average duration of unemployment increased nearly 1 week to 14.4 weeks, highest level in 3.5 years.

PERSONAL INCOME

Personal income increased $21.3 billion in January to seasonally adjusted annual rate of $2,298.1 billion, according to U.S. Department of Commerce. In December, personal income increased $19.7 billion.

Personal outlays increased $24.9 billion in January and taxes $7.1 billion. Savings declined $10.7 billion. Purchases of durable goods increased $7.5 billion, purchases of nondurable goods increased $8.9 billion, purchases of services increased $8.3 billion.

Increase in personal income in January was affected by two special factors: an increase in minimum wage added about $2.0 billion at an annual rate; increase in social security rate from 6.13% to 6.65% with increase in taxable wage base from $25,900 to $29,700 decreased personal income by about $8.8 billion at an annual rate.

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